

Annual Report

2023

**Joint
Allocation
Office**

www.jao.eu



Letter from CEO

Dear Stakeholders,

As I conclude my first year as CEO, I am pleased to report a year of progress and strategic advancements. The year 2023 has been transformative, establishing a solid foundation for our ongoing development as the TSOs' partner.

This year we defined our Business Development Plan (BDP) for 2024-2026, which set out a mission that sets clear strategic objectives that will guide us in delivering excellent services to TSOs and our market participants. Our commitment to excellence and providing value-adding solutions remains as we navigate the evolving landscape of the European energy sector.

The commitment and hard work of our employees are the driving force behind our achievements and our continued development. Fostering a supportive and engaging work environment, ensuring that every team member feels valued and empowered is a focus for the whole company. Togetherness is a cornerstone of our corporate culture, and we believe that by supporting our employees, we build a stronger company.

In our unique role as Single Allocation Platform in Europe and a key partner of the TSOs, understanding and meeting the needs of our stakeholders is important to us. As part of our plans, we have planned efforts to enhance customer satisfaction by actively listening to feedback and delivering real value through our services. Trust is the foundation of our relationships, and we are committed to providing reliable, high-quality service-based solutions.

Our advancements are made possible by the operational stability that every department within our company collaborates to ensure, and we have taken steps to secure this stability for the future. We have made significant progress in establishing an Enterprise Risk Management framework and enhanced our cybersecurity measures. These initiatives are essential for maintaining the reliability and security of our services.

Looking forward, JAO is actively participating in various European projects that are pivotal to the energy transition. Our role in these initiatives underscores our dedication to our mission to support the TSOs in delivering on their energy transition commitments. In particular, the ongoing European Electricity Market Design Reform presents both challenges and opportunities. We are proactively participating in the discussion around these developments to ensure that our strategies remain aligned with the industry changes and regulatory requirements. In closing, I extend my gratitude to our dedicated team whose hard work and commitment have been instrumental in our achievements this year. I also thank our partners and stakeholders for their continued support and trust.



Frederik Johnsen

CEO, Joint Allocation Office

Letter from the Chairman of the Supervisory Board

Dear Stakeholders,

I am pleased to present our 2023 annual report, reflecting on JAO's achievements over the past year and looking forward to the future with optimism and confidence.

Achievements and Strategic Developments

2023 marked a significant milestone in JAO's journey as we welcomed a new leadership with the appointment of our new CEO, Frederik Johnsen, and the introduction of Thomas Kieffer as COO. Together with Diana Rodrigues, CFO, the Management Board's fresh perspectives have boosted the work on defining the strategic way forward. A major highlight of the year was the definition and approval of JAO's new Business Development Plan. The plan sets out clear objectives that will guide the company in delivering high-quality and efficient services to stakeholders and ensuring that JAO strengthens its position as a TSO (Transmission System Operator) service company, responsive to market needs.



Strengthening Relationships and Governance

Strengthening relations with stakeholders and increasing our transparency has been a focus area that we will continue to develop even further. Internally we have prioritized on building a strong relationship with the company. By fostering a close and transparent collaboration with the management, which is the cornerstone of trust and objective decision-making. In tandem with this, we have implemented new internal regulations to keep pace with the company's evolution. These governance enhancements are crucial for maintaining the accountability and efficiency of the Management Board, ensuring they can perform their responsibilities effectively.

Advancements in Risk, Cyber Security and Quality Management

The role of JAO in the electricity market is increasing and maintaining reliable and high-quality services is pivotal. Strengthening our internal risk management practices have been a focal point, with the establishment of an Enterprise Risk Management framework, alongside the implementation of an Information Security Management System (ISMS) and a Quality Management System (QMS). These systems are essential for mitigating risks and enhancing the quality and security of JAO's operations. In response to the ever-changing regulatory landscape, we oversaw the development of a cybersecurity strategy and an implementation plan. By embedding cybersecurity concepts into the company culture and processes, JAO has strengthened its defences, ensuring operational continuity and regulatory compliance.

Looking Forward

As we move into the future, we will continue to prioritise strong governance and risk management. Our aim for the company is to add value through meaningful and efficient services to TSOs and market participants.

Ole Jacob Høyland

Chairman of the Supervisory Board

Table of Contents

5	About JAO
7	Yearly Highlights
9	Governance
12	Shareholders
13	Contributors to Our Success
24	Financial Reports



About JAO

We deliver value to the European energy market with our three service pillars.

Operational Services

Explicit
Auctions

Market Coupling, Post-coupling,
Operations & Publication

Financial Services

Congestion Income
Distribution

Central Invoicing for
Balancing Platforms

Central Settlement
Entity

Supporting Services

Market Coupling TSO
Representation &
Budget Management

Software As A Service
(REMIT)

Central Operational &
Contracting Entity

The Joint Allocation Office (JAO) is a valuable service provider for Transmission System Operators (TSOs) across Europe, playing a crucial role in the functioning of the European electricity market. Since its creation, JAO has been supporting TSOs in delivering on their energy transition commitments through three core service pillars: Operational Services, Financial Services, and Supporting Services. At the core of these services is a single platform that allows TSOs to allocate cross-border transmission rights through explicit auctions during various time frames. As of 2010, JAO offered Congestion Income Distribution, a service that has since become another main integral part of JAO's core offerings due to its increased growth. Our focus on delivering excellent service and creating efficiencies for TSOs ensures that we are making a meaningful contribution to the clean energy transition, aiming to create a sustainable European energy sector.

About JAO

Our vision is to partner with Europe to empower and enhance a sustainable energy market.

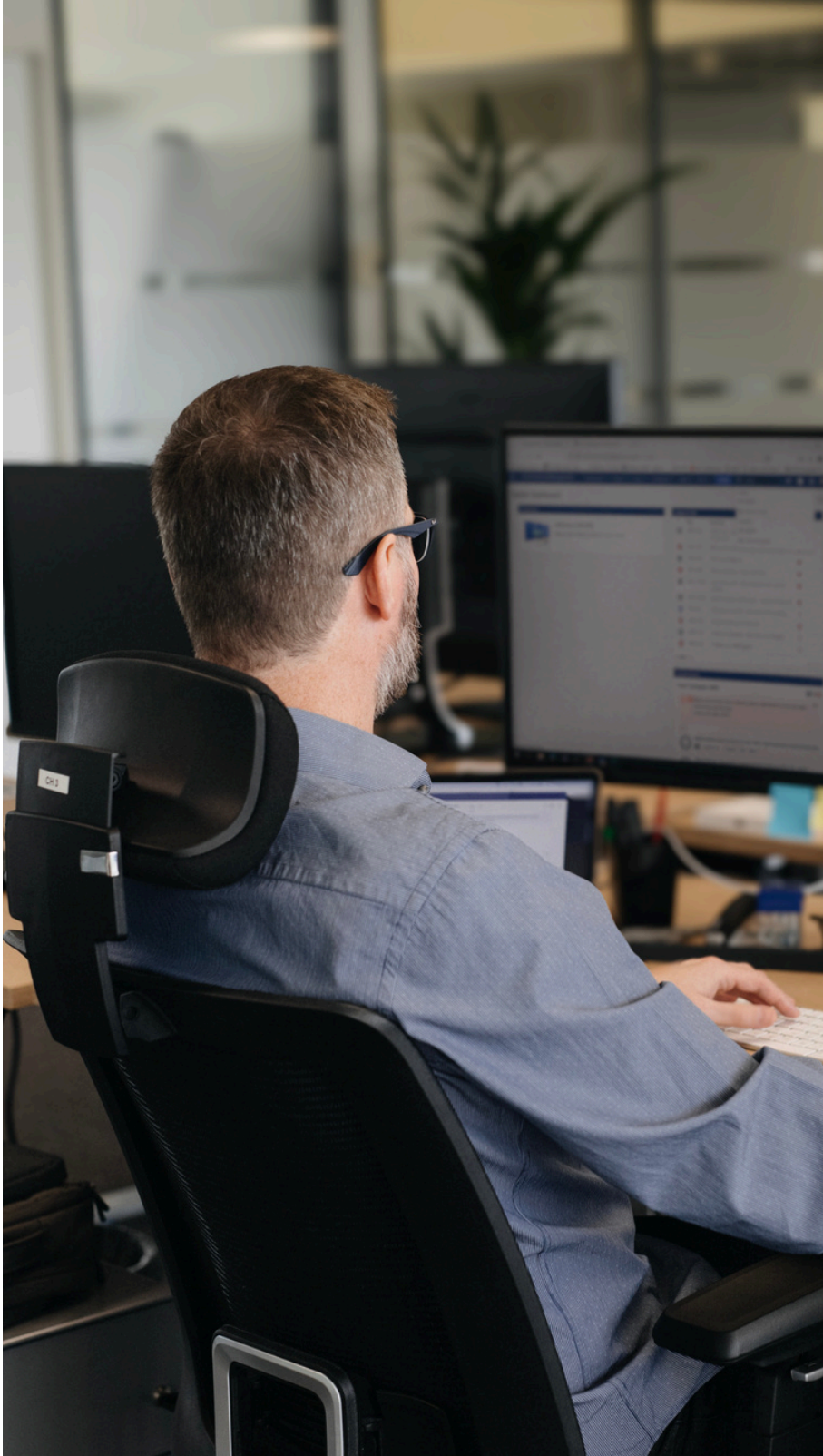


Our Mission

Our mission is to deliver value-adding solutions to the European energy market to support the Transmission System Operators in delivering on their energy transition commitments. We are engaged in creating an environment that fosters excellence, innovation and collaboration with our customers, partners and interested parties, to achieve our shared goals.

Yearly Highlights

Key figures in 2023



Net Turnover

20B+

EBT

1.3M+

Explicit Auctions Run
(Count)

21,476

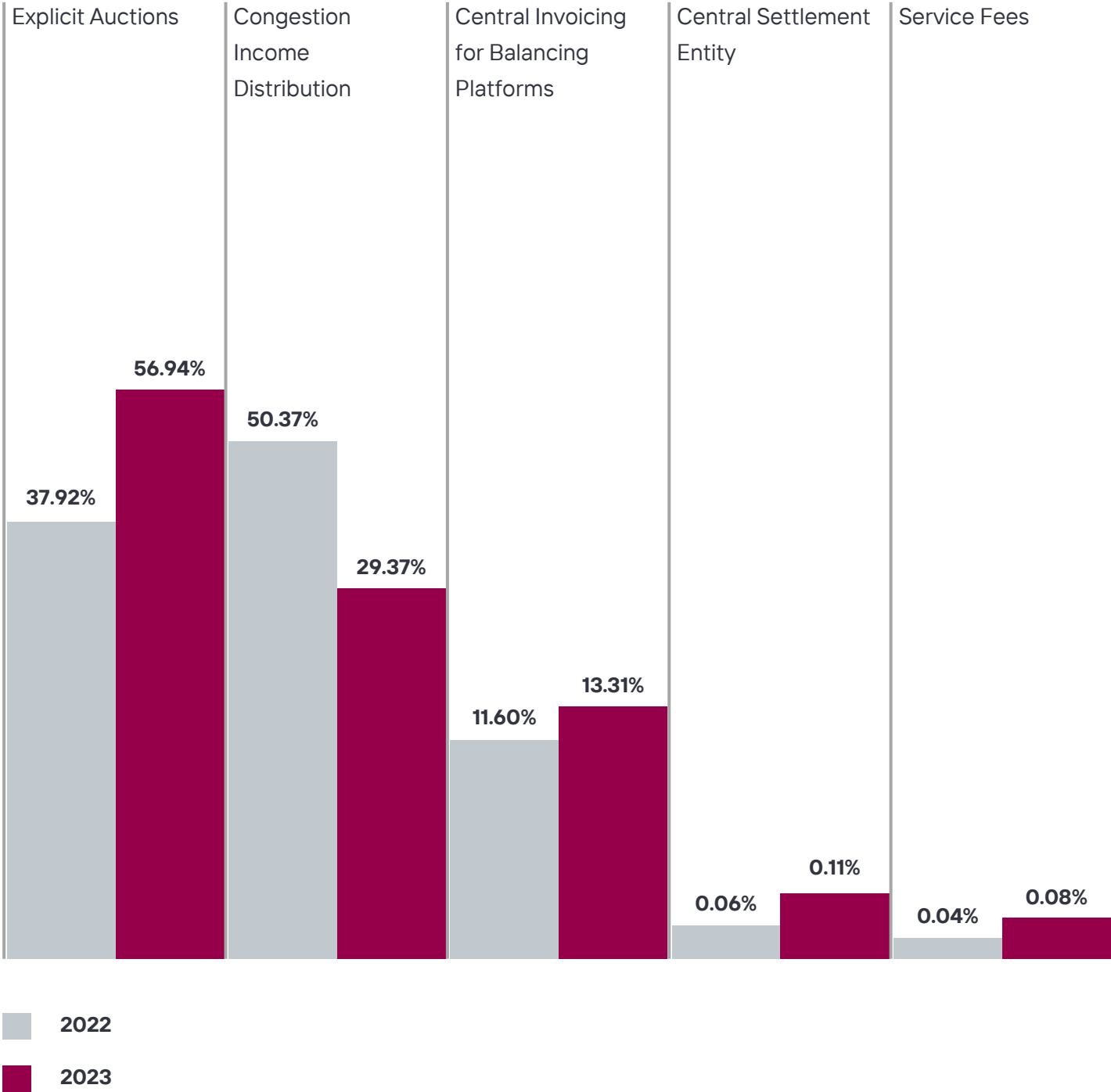
Registered Market
Participants

470+

Yearly Highlights

Net Turnover

2023



Governance



25 SHAREHOLDERS

8 SUPERVISORY
BOARD MEMBERS

5 AUDIT COMMITTEE
MEMBERS



Governance

Management Board



From left to right:

Thomas Kieffer - *Chief Operations Officer*

Diana Rodrigues - *Chief Financial Officer*

Frederik Johnsen - *Chief Executive Officer*

Governance

Management Team



From left to right:

Bosco Wilhelm - *Risk Management, Treasury Management & Information Security*

Eszter Szecsenyi - *Quality Management, Communication, Compliance & Change Management*

Razvan Pop - *IT and Facilities*

Julie Schwartzmann - *Operations*

Shareholders

List of our Shareholders



TransnetBW GmbH



Swissgrid AG



TenneT TSO BV



Terna - Rete Elettrica
Nazionale Società per Azioni



Polskie Sieci
Elektroenergetyczne S.A.



Réseau de Transport
d'Électricité



Slovenská elektrizačná
prenosová sústava, a.s.



Statnett SF



Independent Power
Transmission Operator



MAVIR Hungarian
Independent Transmission
Operator Company



Moyle Interconnector
Limited



Transelectra



EMS Elektromreza
Srbije AD



ESO Elektroenergien
Sistamen Operator EAD



Croatian Transmission
System Operator Plc.



Creos
Luxembourg



EirGrid



Eles LTD. Electricity
Transmission System Operator



Elia System Operator S.A.



50Hertz Transmission
GmbH



Amprion GmbH



Austrian Power
Grid AG



CEPS



Energinet.dk



TenneT TSO GmbH

Contributors to our success



Foundation

Our foundation highlights key developments and initiatives shaping JAO's path to success.



Contributors to our success

Foundation

New Leadership & Redefined Core

In 2023, JAO embraced a transformative period marked by the appointment of a new CEO, Frederik Johnsen. In October, the Management Board, including Frederik Johnsen and Diana Rodrigues, welcomed a new COO, Thomas Kieffer. This leadership team spearheaded an introspective journey to redefine JAO's values, mission, and vision. This foundational work laid the groundwork for the creation of our Business Development Plan, setting a new course for the company with clear strategic objectives that identify key enablers essential for continuously delivering value to our stakeholders.

Stakeholder Engagement & Governance Integrity

We reaffirmed our commitment to fostering transparent relationships with our shareholders and stakeholders. Our belief is that transparency is fundamental to fostering trust, confidence, and objective decision-making. We are dedicated to maintaining open lines of communication to uphold these commitments. Simultaneously, we fortified our internal governance structures and control functions to ensure responsiveness to the evolving needs of the company.

The implementation of new internal regulations in 2023 was instrumental in bolstering our governance integrity. These regulations are vital for keeping pace with the company's evolution and ensuring that our Management Board remains agile and capable of effective day-to-day management of JAO. Through these measures, we have enhanced and secured our decision-making processes, reinforcing our commitment to responsible governance.

Introducing A Congestion Income Distribution Team

In tandem with our focus on financial services, 2023 saw notable progress by introducing a dedicated team to support the service of Congestion Income Distribution (CID). The CID service extension has become a key service offering under our Financial Management Service pillar.

Strengthening Risk Management, Information Security & Quality

Significant progress was made in establishing our Enterprise Risk Management framework, alongside the implementation of Information Security Management System (ISMS) and Quality Management System (QMS). These systems are vital for mitigating risks and enhancing our operational quality and security.

KEY TAKEAWAYS IN 2023

- Frederik Johnsen appointed as CEO
- Thomas Kieffer introduced as COO
- New Business Development Plan
- Enhanced Stakeholder relationships
- New internal regulations
- Introducing a new team with a focus on CID
- Integrated Management System focusing on Information Security and Quality Management

Contributors to our success

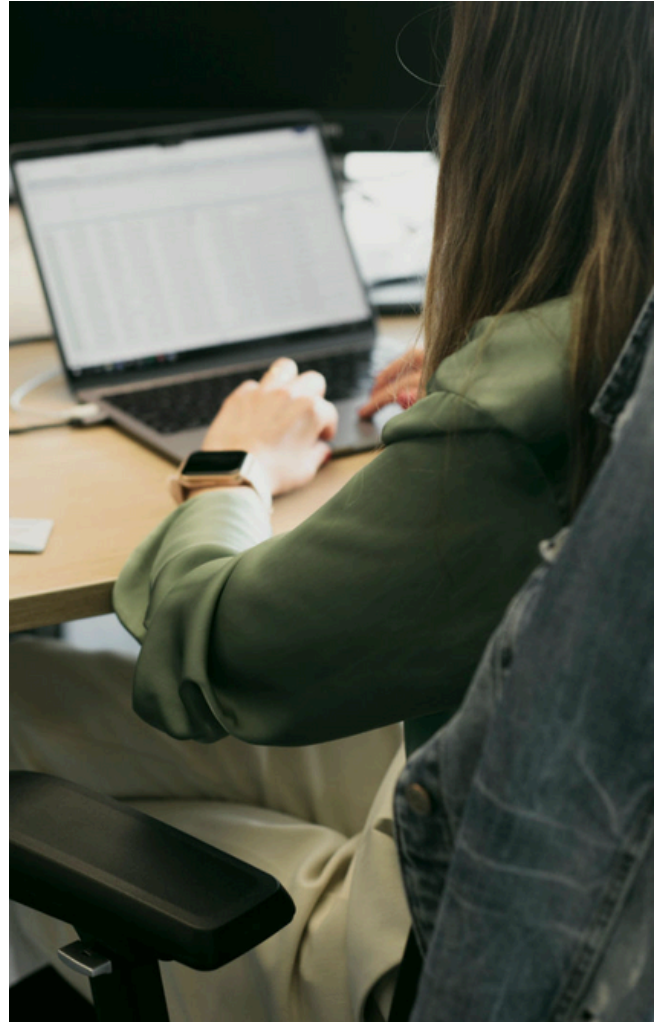
Foundation

Operational Excellence & Stability

JAO underwent significant team reorganization aimed at enhancing client servicing, relationships, and operational efficiency. Our strategic restructuring involved the creation of two distinct teams, each with dedicated expertise in specific market areas. One team adopts a process efficiency mindset, ensuring streamlined operations, while the other focuses on client servicing and market monitoring, crucial for day-to-day operations. Throughout 2023, JAO maintained stability in its operations, laying a solid foundation for future initiatives and development endeavors. This stability is fundamental to sustaining our growth trajectory and ensuring continued excellence in service delivery.

Optimizing IT Infrastructure & Cybersecurity

Our IT department continued to answer requests and develop workflows in a structured manner that allowed JAO to be more flexible, process oriented and precise in assessing resource needs and strengthening our governance. JAO prioritized cybersecurity, developing a comprehensive strategy and implementation plan in 2023. This initiative integrates cybersecurity principles into our company culture and mindset, ensuring that cybersecurity is ingrained in all aspects of our operations. Strengthening across processes, product lifecycles, supply chain, and technical architecture is paramount for ensuring continuity in JAO's operations and compliance with regulatory standards.



KEY TAKEAWAYS IN 2023

- Operational stability
- Operational team reorganization
- Optimizing IT infrastructure
- Introducing a cybersecurity strategy & implementation plan

Contributors to our success



Business

Expanding business services to better serve market needs.



Contributors to our success

Business

Continuing our Central Settlement Solutions

Following the success of TERRE in 2020, we expanded our settlement solutions in 2022 to support additional European platforms for the balancing energy process: MARI, IGCC, and PICASSO. This marked a significant expansion of our services within our Financial Services pillar. In 2023, there has been an increase in the number of Transmission System Operators (TSOs) joining these European platforms. This gives JAO the opportunity to provide these newly onboarded TSOs with our settlement solution services.

Expanding borders & increasing auctions

In 2023, TSOs entrusted us with allocating transmission rights on additional borders and across different time frames through explicit auctions, including Hungary-Serbia and the Viking Link interconnector between Denmark and the United Kingdom (both long term and short term). In Q4 of 2023, we opened registration for market participants to participate in daily auctions for Ukraine-Poland, Ukraine-Slovakia, and Ukraine-Hungary. By welcoming Viking Link on our auction platform and offering additional auctions by ElecLink, we saw an increase of intra-day auctions. On June 7th, 2023, we conducted the first two-year-ahead yearly auction for Nemo Link on the border of Belgium and Great Britain.

MARI: Manually Activated Reserves Initiative

IGCC: The International Grid Control Cooperation

PICASSO: Platform for the International Coordination of Automated Frequency Restoration and Stable System Operation

FSKAR: Financial Settlement of KΔf, ACE and ramping period

TERRE: Trans European Replacement Reserves Exchange

ELECLINK: Interconnector between France and Great Britain

Launching the SWE Publication tool

JAO was pleased to support TSOs in the South West Europe Capacity Calculation Region (SWE CCR) by launching the SWE Publication tool on May 16, 2023. This tool enables TSOs to submit market coupling data and provides market participants with access through a modern web-based solution. It supports web services, search capabilities, and download/export functionality.

Extending Budget Management Services & Co-Chairing Operations Committees

We successfully managed the budget, cost sharing and settlement in line with the Capacity Allocation & Congestion Management (CACM) guidelines for TSOs and NEMOs involved in the Single Day-Ahead Coupling (SDAC). In 2023, we assumed the role of co-chairing the operations committees (OPSCOM) on behalf of the TSOs for both the Single Day-Ahead Coupling (SDAC) and the Single Intraday Coupling (SIDC) for the first time.

KEY TAKEAWAYS IN 2023

- Continued growth of our settlement services
- Launch of the SWE Publication tool
- Expanding borders and increasing intra-day auctions
- Growing Budget Management Services
- Chairing SDAC & SIDC OPSCOM

Contributors to our success

Business

+12.8%

Intraday auctions
2022 vs 2023

99.85%

Auction success rate

100%

Upload success rate
for SWE Publication tool

470+

Registered market
participants

Our collaborative approach enables us to stay ahead of the curve and to deliver innovative solutions that create value for our customers and the broader energy community.

Contributors to our success



Customer Experience

Support and service
every step of the way.



Contributors to our success

Customer Experience

In 2023, we began a journey to elevate customer experience, ensuring that our customers receive support and service every step of the way. Introducing a personalized welcome call for all new Market Participants was a significant milestone in our commitment to clarity and support. This initiative aimed to guide users through the registration process, ensuring that requirements were clearly understood, processes efficiently navigated from the outset, and relationships created along the way. To further enhance efficiency and effectiveness, we have made the strategic decision to divide our Operational department into two focus areas; Customer Service & Support and Operational Experts. This division allowed us to optimize our internal structures, ensuring that each aspect of our service received the attention it deserved in a customer orientated manner.

Recognizing the importance of meeting evolving needs, we have set out to collect structured feedback that brings us closer to our customers and stakeholders. Through regular surveys and interviews, we aim to understand their experiences and expectations more deeply. Looking to the future, we plan to collect more event-driven feedback that will provide us with information on real-time pain points. This approach will allow us to respond effectively to issues as they arise, ensuring that our services remain aligned with the needs of our customers.

+16%

IN COMPANY REGISTRATION

+14%

IN USER REGISTRATION

50

SERVICED TSOs

**Inside Business
Payments**

WE WILL BE DIGITALLY TRANSFORMING THE WAY
FUNDS ARE PROCESSED IN 2024

4.6

TICKET SATISFACTION
RATING

Contributors to our success



People & Culture

Insights into the
workforce and
employee engagement
efforts



Contributors to our success

People & Culture

In 2023, our commitment to continuously creating an inclusive workplace culture reached new heights. As an organization, we recognize that empowering our employees and embracing flexibility are pivotal to their success and well-being. We are proud to highlight several key initiatives that help nurture a vibrant People & Culture ecosystem. One of the cornerstones of our progressive approach to work-life balance was the introduction of innovative remote work policies. In response to evolving workplace dynamics and the desire for greater flexibility, we amended our work-from-home policy. This amendment granted our employees the freedom to work remotely for up to two days per week, empowering them to structure their workdays in a manner that optimizes productivity and personal commitments.

Furthermore, recognizing the transformative potential of remote work, we introduced a "Work from Anywhere" option. Under this initiative, our teams have the flexibility to work from any location for up to 10 working days per year. Whether it's embracing a change of scenery or accommodating personal travel, this policy underscores our commitment to supporting our employees' diverse lifestyles and aspirations. Our dedication to creating an exceptional workplace environment was officially recognized with a "Great Place to Work" certification. This serves as a testament to our collective efforts in creating a culture of trust, togetherness, and excellence.

82

EMPLOYEES

25

DIFFERENT NATIONALITIES

3%

EMPLOYEE TURNOVER RATE



A continuous
award

41

MEN

41

WOMEN

Contributors to our success

People & Culture

Senthil

Business Analyst

"As a Business Analyst, gaining a comprehensive view of the energy sector within JAO allowed me to expand my skillset and take my role to new heights."



Irena

Quality Coordinator

"Joining JAO has been a transformative journey. I feel encouraged to use my talents daily in a supportive environment that values both excellence and work-life balance."

Financial Reports 2023

2B+

Total Assets

20B+

Net Turnover

8.3M+

Total Equity

15.2M+

Operating Costs

Annual Accounts

2023

BALANCE SHEET	2023	2022
ASSETS	KEUR	KEUR
Fixed Assets	4,884	3,983
Intangible assets	4,491	3,540
Tangible assets	393	443
Current Assets	2,050,055	3,903,320
Debtors (Note 2)	812,574	1,592,326
Cash at bank (Note 3)	1,237,481	2,310,994
Prepayments	119,355	603,703
Total assets	2,174,294	4,511,006

Annual Accounts

2023

BALANCE SHEET	2023	2022
CAPITAL, RESERVES AND LIABILITIES	KEUR	KEUR
Capital and Reserves	8,344	7,376
Subscribed capital	125	125
Share premium account	5,123	5,123
Reserves: Legal reserve	13	13
Profit or loss brought forward	2,115	1,834
Profit or loss for the financial year	968	282
Provisions	151	140
Creditors	2,045,034	3,899,635
Deposits made on business accounts (note 4)	987,775	1,860,251
Trade creditors (note 5)	1,054,590	2,037,440
Other creditors	2,669	1,944
Deferred income	120,765	603,856
Total capital, reserves and liabilities	2,174,294	4,511,006

Annual Accounts

2023

PROFIT & LOSS	2023	2022
	KEUR	KEUR
Net turnover (Note 6)	20,024,597	33,863,111
Other operating income	98	117
Raw material and consumables and other external expenses (Note 7)	-20,013,406	-33,854,200
Staff Costs	-7,700	-6,567
Value adjustments in respect to formation expenses and of tangible intangible fixed assets	-1,808	-1,528
Other operating expenses	-592	-398
Other interest receivable and similar income	152	0
Other interest payable and similar expenses	0	-28
Tax on profit after taxation	-338	-91
Profit or loss after taxation	1,003	418
Other taxes	-35	-136
Net result for the financial period	968	282

Note 1

Significant accounting and valuation methods

The annual accounts are prepared in accordance with laws and regulations applicable to limited liabilities companies as well as generally accepted accounting principles in the Grand Duchy of Luxembourg. The accounts of the Company have been prepared in accordance with the provisions of the Commercial Law dated 10 August 1915 as amended. The accounting methods applied by the Company are in conformity with going concern principle. The preparation of annual accounts requires the use of certain critical accounting estimates. It also requires Management to exercise its judgement in the process of applying the accounting policies. Changes in assumptions may have a significant impact on the annual accounts in the period in which the assumptions changed. Management believes that the underlying assumptions are appropriate and that the annual accounts therefore present the financial position and results fairly. The Company makes estimates and assumptions that affect the reported amounts of assets and liabilities in the next financial year. Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. The Company's books and records are held in euro ("EUR") and the annual accounts are expressed in that currency. Income and charges denominated in other currencies are translated into EUR at the exchange rates ruling at the date of each transaction.

Note 2

Debtors

DEBTORS	2023	2022
	KEUR	KEUR
Amounts due by the Market Participants invoiced by JAO S.A. for their participation to the cross border capacity auctions	90,316	107,112
Amounts due by the Transmission System Operators which own the cross border capacity and to which JAO S.A. charged a fixed monthly fee for the service performed and compensations relating to the capacity that is distributed to the Market Participants	291,197	499,987
Amounts due by the Transmission System Operators in relation to the balancing services	391,778	923,957
Amounts due by the Central Counter Parties in relation to the congestion income distribution	34,668	53,577
General amounts due by Central Counter Parties, Transmission System Operators and Other Parties	3,524	5,730
Amounts paid to suppliers with a debit balance	369	1,201
Other Debtors	722	763
Total trade debtors	812,574	1,592,326

Note 3

Cash at bank

Cash at bank is composed of KEUR 249,706 (2022: KEUR 450,743) in bank accounts owned by the Company and KEUR 987,775 (2022: KEUR 1,860,251) in bank accounts dedicated to Market Participants. The Company has opened a business bank account for each Market Participant. Each business bank account is managed, controlled, and operated exclusively by the Company and is a special dedicated account to which the Market Participant pays all the amounts required under the auction rules and all the payments for the allocated capacities acquired or to be acquired by the Participant in accordance with auction rules.

The Company cannot use the dedicated bank accounts for its own account.

Note 4

Deposits made on business accounts

DEPOSITS MADE ON BUSINESS ACCOUNTS	2023	2022
	KEUR	KEUR
Payments received on account of orders relate to deposits made by the Market Participants on dedicated bank accounts, to cover their positions in relation to cross border capacity auctions (see note 3)	987,775	1,860,251

Note 5

Trade creditors

TRADE CREDITORS	2023	2022
	KEUR	KEUR
Amounts due to the Market Participants invoicing JAO S.A. for compensations relating to cross border capacity	329,336	535,613
Amounts due to the Transmission System Operators which own the cross border capacity and which sell it to JAO S.A. after related auctions	78,318	107,130
Amounts due to the Transmission System Operators in relation to the congestion income distribution performed by JAO S.A. on behalf of the Transmission System Operators	211,840	447,457
Amounts due to the Transmission System Operators in relation to the balancing services	426,158	937,776
Amounts due to Central Counter Parties – Congestion income distribution recharge and Amount due to Other Parties - General Administration expenses	4,525	5,195
Amounts due to suppliers for invoices not yet received	4,413	4,268
Total	1,054,590	2,037,440
Total of Note 4 and Note 5	2,042,365	3,897,691

Note 6

Net turnover

As of December 31, 2023, the geographical market includes the majority of Europe, with the exception of certain regions in the Balkans. Specifically, this includes all borders that are managed by the TSOs within these areas. Financial services connected with clearance and settlement activities on balancing platforms are provided to Transmission System Operators located in several European regions.

Other revenue includes collected income where the Company acts as contracting entity on behalf of the Transmission System Operators for congestion income distribution and various other service projects.

The turnover is analysed as follows:

NET TURNOVER	2023	2022
	KEUR	KEUR
Monthly fees charged to the Transmission System Operators for the service performed on their behalf	16,388	13,593
Allocation of cross border electricity capacities charged to the Market Participants	11,402,848	12,840,206
Congestion income distribution	5,916,884	17,058,169
Balancing services	2,665,551	3,929,170
Other central contracting activities	22,926	21,974
Total	20,024,597	33,863,111

Note 7

Raw materials and consumables and other external expenses

Raw materials and consumables and other external expenses are composed by charges equal to the turnover composed by the allocation of cross border electricity capacities charged to Market Participants, Financial services connected with clearance and settlement activities on balancing platforms and expenses where the Company acts as central contracting entity on behalf of Transmission System Operators to external service providers, by congestion income distribution as the Company acts as an intermediary between sellers and buyers of the cross border electricity capacities, and by the external charges as follows:

RAW MATERIALS AND CONSUMABLES AND OTHER EXTERNAL EXPENSES	2023	2022
	KEUR	KEUR
Allocation of cross border electricity capacity invoiced to the Market Participants	11,701,225	13,995,168
Congestion income distribution charges	5,618,507	15,903,207
Balancing services charges	2,665,551	3,929,170
Other central contracting activities	22,926	21,974
IT maintenance and Supplies	2,611	2,491
Office charges	329	286
Travel expenses	120	80
Consultancy fees	362	356
Property charges	535	483
Legal advices	304	24
Insurances	183	169
Administration and bank charges	374	415
Audit and other professional fees	379	377
Total	20,013,406	33,854,200

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